

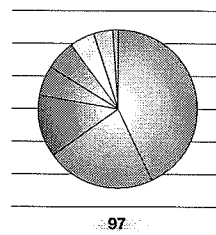
1997

Business Overview

Ecolab

Reaching customers in more than 150 countries around the world to provide products, systems and services to meet all of their cleaning and sanitation needs is the premise behind Ecolab's Circle the Customer – Circle the Globe strategy. To this end, Ecolab develops and markets complementary offerings through seven business units in the United States: Institutional, Pest Elimination, Kay, Textile Care, Professional Products, Food & Beverage, and Water Care Services. In addition, as a global supplier, Ecolab reaches customers in Canada, Asia Pacific, Latin America and Africa through direct subsidiaries, joint ventures, export operations, licensees and distributors.

Business Mix



- Institutional 43%
- International 22%
- Food & Beverage 13%
- Pest Elimination 6%
- Professional Products 6%
- Kay 5%
- Textile Care 4%
- Water Care Services 1%

Customers/Markets

Customers:

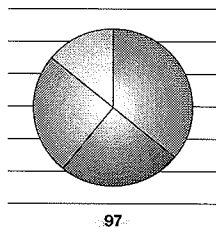
- Restaurants
- Hotels
- Quickservice operations
- Schools
- Laundries
- Healthcare facilities
- Dairy farms and plants
- Food, beverage and brewery processing plants
- Office buildings
- Shopping malls
- Light industry
- Fleet and vehicle wash

Markets:

- United States
- Canada
- Asia Pacific
- Latin America
- Africa

Henkel-Ecolab

In Europe, Ecolab completes its Circle the Customer – Circle the Globe strategy through Henkel-Ecolab, a joint venture headquartered in Düsseldorf, Germany. Henkel-Ecolab's business mirrors that of Ecolab's elsewhere, offering the same premium products and services to global chains that require world-wide consistency, as well as individual customers that prize value-added quality.



- Institutional 36%
- Professional Hygiene 25%
- Food (P3) Hygiene 25%
- Textile Hygiene 14%

Customers:

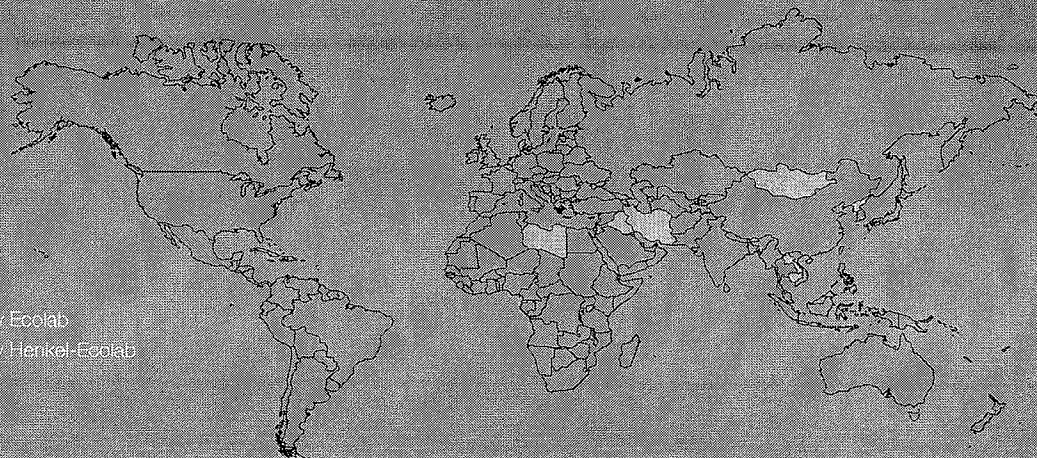
- Restaurants
- Hotels
- Laundries
- Healthcare facilities
- Dairy farms and plants
- Food, beverage and brewery processing plants
- Schools
- Office buildings
- Light industry

Market:

- Europe

Global Coverage

- Countries Served by Ecolab
- Countries Served by Henkel-Ecolab



Services/Products

Institutional: Innovative detergents and sanitizers for warewashing, on-premise laundry, specialty cleaning products, product dispensing equipment, and racks and related kitchen equipment for foodservice, lodging and healthcare industries.

Pest Elimination: Commercial pest elimination and prevention services.

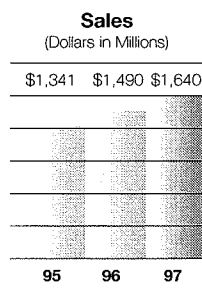
Kay: Cleaning and sanitation products and training programs for the quickservice restaurant and grocery markets.

Textile Care: Cleaning and sanitizing products and services for large on-premise and commercial laundries.

Professional Products: Detergents and sanitizers; floorcare, odor-control and infection-control products; and gym floor finishes for the healthcare and janitorial markets.

Water Care Services: Water treatment programs for boilers, cooling water and waste treatment systems, and pool and spa management programs.

Food & Beverage: Cleaning and sanitizing products, equipment, systems and services for the agribusiness, beverage, brewery, dairy and food industries.

Sales**Sales-and-Service Associates**

December 31	1995	1996	1997
Institutional	2,235	2,315	2,445
Pest Elimination	985	1,035	1,125
Kay	100	115	125
Textile Care	135	145	140
Professional Products	65	200	215
Water Care	100	100	90
Food & Beverage	285	350	405
Canada	240	265	300
Asia Pacific*	635	595	665
Latin America	375	400	370
Africa	125	85	110
Total	5,280	5,605	5,990

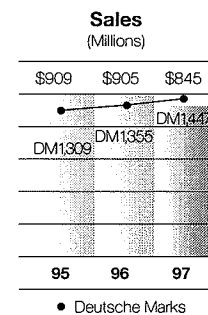
*excludes Gibson

Institutional: Warewashing and related products and services for commercial, hotel, restaurant and catering kitchens.

Professional Hygiene: Detergents, sanitizers, floorcare and odor-control products, and highly specialized disinfectants and other cleaning and sanitizing products for the healthcare industry.

Food (P3) Hygiene: Cleaning and sanitizing products for the agribusiness, beverage, brewery, dairy and food processing industries.

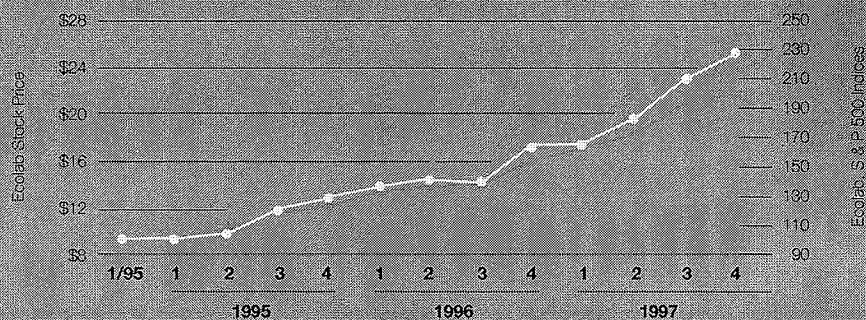
Textile Hygiene: Cleaning and sanitizing products and services for large and on-premise laundry market sectors.



December 31	1995	1996	1997
Joint Venture	2,470	2,370	2,635

Ecolab Stock Performance

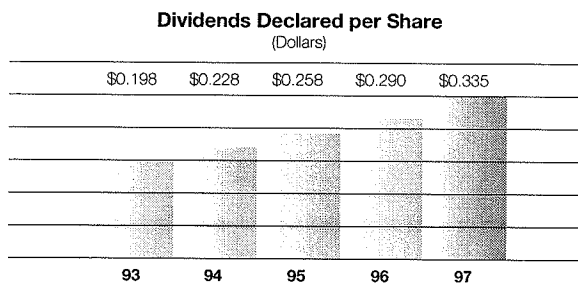
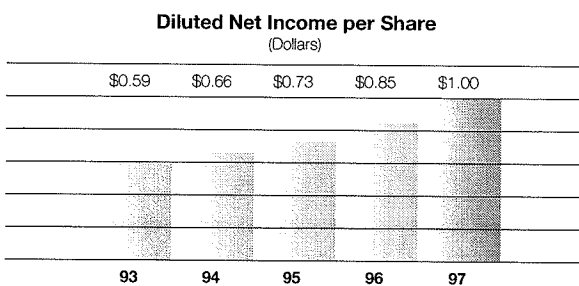
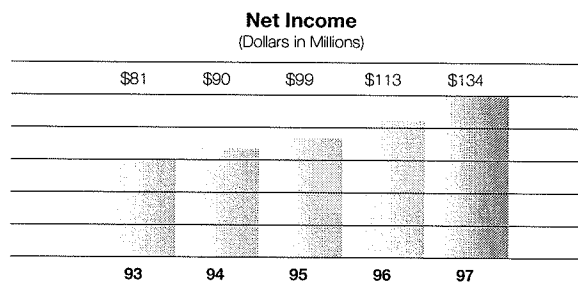
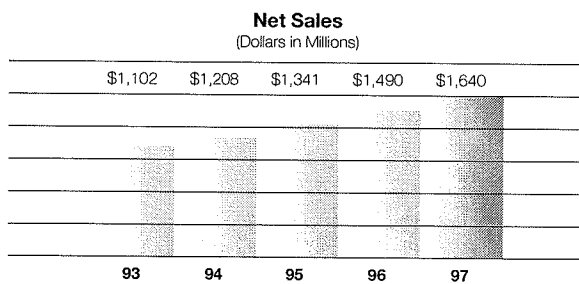
	1997		1996	
Quarter	High	Low	High	Low
First	\$19.56	\$18.13	\$16.31	\$14.56
Second	\$24.03	\$19.06	\$16.94	\$14.75
Third	\$24.94	\$21.28	\$16.88	\$14.75
Fourth	\$28.00	\$23.06	\$19.75	\$16.75



Highlights

Financial Highlights

December 31 (dollars in thousands, except per share)	1997	1996	1995	Percent Change	
				1997	1996
Net Sales	\$1,640,352	\$1,490,009	\$1,340,881	10%	11%
Net Income	133,955	113,185	99,189	18	14
Percent of Sales	8.2%	7.6%	7.4%		
Diluted Net Income per Common Share	1.00	0.85	0.73	18	16
Diluted Weighted Average Common Shares Outstanding	133,822	132,817	134,956	1	(2)
Cash Dividends Declared per Common Share	0.335	0.290	0.258	16	13
Cash Provided by Continuing Operating Activities	235,098	254,269	163,463	(8)	56
Capital Expenditures	121,667	111,518	109,894	9	1
Shareholders' Equity	551,701	519,963	456,658	6	14
Return on Beginning Equity	25.8%	24.8%	21.5%		
Total Debt	308,268	176,292	161,049	75	9
Total Debt to Capitalization	35.8%	25.3%	26.1%		
Total Assets	\$1,416,299	\$1,208,409	\$1,060,880	17%	14%



Net income and diluted net income per share for 1993 and 1994 are pro forma results that reflect adjustments to eliminate unusual items associated with the company's December 1994 merger with Kay Chemical Company.

This Annual Report to Stockholders contains various "Forward-Looking Statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, which represent Ecolab's expectations or beliefs concerning various future events, are based on current expectations. Therefore, they involve a number of risks and uncertainties that could cause actual results to differ from those of such Forward-Looking Statements. We refer readers to the Company's statement entitled "Forward-Looking Statements and Risk Factors," which is contained under Item 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 1997, for further discussion of these matters. Additional risk factors may be described from time to time in Ecolab's filings with the Securities and Exchange Commission.

Balance Sheet

Consolidated Balance Sheet

December 31 (thousands, except per share)	1997	1996	1995
Assets			
Cash and cash equivalents	\$ 61,169	\$ 69,275	\$ 24,718
Accounts receivable, net	246,041	205,026	198,432
Inventories	154,831	122,248	106,117
Deferred income taxes	34,978	29,344	21,617
Other current assets	12,482	9,614	7,188
Current Assets	509,501	435,507	358,072
Property, Plant and Equipment, Net	395,562	332,314	292,937
Investment in Henkel-Ecolab Joint Venture	239,879	285,237	302,298
Other Assets	271,357	155,351	107,573
Total Assets	<u>\$1,416,299</u>	<u>\$1,208,409</u>	<u>\$1,060,880</u>
Liabilities and Shareholders' Equity			
Short-term debt	\$ 48,884	\$ 27,609	\$ 71,647
Accounts payable	130,682	103,803	81,931
Compensation and benefits	74,317	71,533	59,766
Income taxes	13,506	26,977	18,248
Other current liabilities	137,075	97,849	78,946
Current Liabilities	404,464	327,771	310,538
Long-Term Debt	259,384	148,683	89,402
Postretirement Health Care and Pension Benefits	76,109	73,577	70,666
Other Liabilities	124,641	138,415	133,616
Shareholders' Equity (common stock, par value \$1.00 per share; shares outstanding: 1997 - 129,127; 1996 - 129,600; 1995 - 129,403)	551,701	519,963	456,658
Total Liabilities and Shareholders' Equity	<u>\$1,416,299</u>	<u>\$1,208,409</u>	<u>\$1,060,880</u>

See notes to consolidated financial statements.

1996 Annual Report



Ecolab

Spirit. Pride. Determination. Commitment. Passion. Integrity.